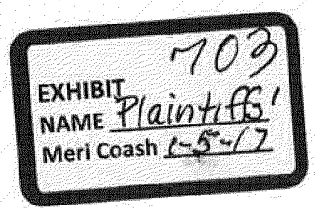
EXHIBIT 12

Network Performance

October 1, 2008

Troubleshooting Set Price Generic Programs

Auditing for and Responding to Plan Sponsor Inquiries on a Marketplace Trend



Troubleshooting Set Price Generic Programs

Auditing for and Responding to Plan Sponsor Inquiries on a Marketplace Trend

Set Price Generic Programs

There are two types of "set price" generic programs in the marketplace:

1. **"Club Plan" – Members need to join a plan (register):**
   - May or may not include a fee to join
   - May offer other discounts on OTC/HBA or screenings
   - Adjudicates at the plan price (i.e., 30 days for $4.00) by a processor or PBM
   - Formulary management by the plan through the set price list of covered generics
   - Open to anyone who wants to participate (Nothing precludes a member from joining one of these plans if they have a funded benefit)
   - Kmart, HEB, Giant Eagle, CVS, Rite Aid, Walgreens have versions of this option

2. **Standard Set Price Generic Program – The pharmacy chain that sponsors the program gives the set price to all participants:**
   - List of generics changes but includes approximately 400 drugs (not all drugs are generics)
   - Many chains only offer the price on certain NDCs they can offer at the set price; higher price NDCs may be excluded
   - There is no fee to join, no plan; the set price is passed through as U&C on the set price NDCs
   - Pharmacies are contractually required to send us accurate U&C (Pharmacy Audit monitors/audits)
   - Wal-Mart, Kroger, Target and Safeway employ this program type
   - 30 days supply, once-a-day is a typical prescription protocol for the $4.00/$9.00 fee in some states for Wal-Mart
   - 90 days supply for $10.00 is the new twist which may be lower than some mail- or 90-day at retail copayments

Funded Plan Sponsor Challenges

One major issue for funded Plan Sponsors regarding both programs described above is their existing funded days supply limits are not conducive to competing appropriately with this trend. Many plan sponsors have a retail benefit with the following components:

- Coverage in retail is up to a 30- or 34- days supply
- Generic copay is higher than the set price generic program and/or contains zero balance due (ZBD) logic

Under these plan parameters, when a participant walks in with a prescription for a 90 days supply and the pharmacy submits the claim, it rejects for "exceeds days supply."

With a set price generic program offering, a participant can get a 90 days supply at a lower cost than his current funded benefit. As a result, participants make a choice—choosing either to "cash" out the prescription or joining the set price plan offered by the chain to reduce out-of-pocket expense.

Another issue adversely impacting both funded plan sponsors and participants is the lapse of total prescription care and oversight in terms of safety and plan design. When participants fill prescriptions through set price generic programs without using their Caremark prescription card, they miss the opportunity to benefit from the following:

- Safety checks (drug utilization review)
- Automatic tracking of front-end deductible, out-of-pocket (OOP) maximum, and maximum allowable benefit (MAB)
- Coordination of benefits (COB)

- Med D TrOOP accumulations

Even though set pricing programs may only address partial prescription care for its participants, with misaligned plan designs and lack of total prescription drug capture on funded programs, plan sponsors may face participants questioning the value of their benefit versus the cost of their premium.

Additionally, CVS Caremark no longer has a full view of the individual's prescription history, and these claims are no longer subject to audit because Caremark is no longer the payer.

Troubleshooting Set Price Generic Programs and Auditing for Contract Adherence

In order to serve as a deterrent toward circumventing contract parameters (pharmacies should submit *lower of* pricing in accordance with contract), Pharmacy Audit along with the Industry Analytics area have analyzed data and completed claim audits with two surprising outcomes:

- Chains are complying with sending set prices on their generic list as their U&C
- Patients taking medications for chronic conditions with an abrupt halt in drug therapy have specific reasons for discontinuation/drop of therapy unrelated to set price programs

Chains with Set Price Programs Are Compliant

Extensive analysis discovered extremely high compliance rates—96-99 percent—for chains that give the set price to all participants. Set price programs have variables which cause some challenges when conducting analysis. The variables encountered are:

- The list of generics on the set price list changes (Caremark Pharmacy Audit nor Industry Analytics monitors these lists daily)
- Higher priced NDCs of the generic are not covered when the lower priced generics are unavailable
- Analysis provides detail which is not appropriate due to state program restrictions (e.g. $9.00; women's health 90 days for $24)
- Quantities of 60 are not automatically prorated
- Analysis pulled at hierarchy greater than NDC brought in claims not included in the program

Patients with Abrupt Halt in Therapy Are Unrelated to Set Price Programs

Pharmacy Audit has analyzed patients on certain maintenance drugs (i.e., generic Fosamax, Synthroid, Warfarin, etc.—drugs often found on set price generic program lists) in which therapy discontinues abruptly. This discontinuation occurs in conjunction with other current medications received from a chain that offers a set price generic price to all its participants.

While we expected to find many claims that were cashed out, we determined the actual results were due to therapy discontinuations, changes in medications/therapy, or patient noncompliance. We verified through outreach calls and research:

- In which pharmacies verified the patient no longer gets the prescription
- In which doctors indicated the therapy was stopped/changed
- By tracing the patient in the system showing therapy had been discontinued—a consideration which could not be reviewed if participation in a set price plan with a membership/adjudication through another payer

Currently only one claim out of more than 200 outreach calls resulted in a situation where the claim was cashed out, and this occurred at the member's request.

If you have any questions about set price generic programs, please contact:

Brian J. Correia

Director, Network Performance (480)-661-3153